

Message Text

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ACTION EUR-25

INFO OCT-01 IO-15 ISO-00 EURE-00 AID-20 CEA-02 CIAE-00

COME-00 EB-11 EA-11 FRB-02 INR-10 NEA-10 NSAE-00

RSC-01 OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01

OMB-01 STR-08 OIC-04 L-03 H-03 PRS-01 PA-03 USIA-15

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TAGS: ETRD, OECD

SUBJECT: INTERNAL POLICIES AND THEIR IMPACT ON INTERNATIONAL
TRADE- TRADE COMMITTEE WORKING PARTY (TCWP)
MEETING OCTOBER 8-9.

1. SUMMARY. TCWP WILL RESUME CONSIDERATION OF SUBJECT
OCT 8-9 ON BASIS OF SECRETARIAT PAPER TFD/TD/740. MESSAGE
SUMMARIZES CURRENT STATE OF PLAY AND PROSPECTS FOR FUTURE
PROGRESS ON BASIS MISSION DISCUSSIONS WITH SECRETARIAT AND
SEVERAL KEY DELS. END SUMMARY.

2. AS DEPARTMENT AWARE, TCWP PROGRESS THIS SUBJECT HAS
BEEN SLOW BOTH BECAUSE OF INTRINSIC COMPLEXITIES AS WELL AS
SENSITIVITIES OF SEVERAL KEY DELS (EC, FRG, FRANCE, CANADA)
WHO EXPRESS CONCERN ABOUT DUPLICATING MTN WORK ON NTBS AND
ARE OBVIOUSLY LESS THAN ENTHUSIASTIC ABOUT SUBJECTING SOME
OF THEIR INTERNAL POLICIES TO SCRUTINY IN CONTEXT OF THEIR
DISTORTIONARY IMPACT ON TRADE. TWO PROMISING APPROACHES
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FOR COMING TO GRIPS WITH SUBJECT IN TC HAVE ALREADY BEEN

REJECTED FOR TIME BEING AS PREMATURE. FIRST WAS US PROPOSAL TO DEVELOP GUIDELINES OR PRINCIPLES TO GOVERN TRADE-INCIDENTAL NTBS. SECOND WAS AUSTRALIAN PROPOSAL TO ADOPT CASE STUDY APPROACH, TAKING INDUSTRIAL POLICY AS SUBJECT FOR INTENSIVE ANALYSIS. EC, FRENCH, FRG, AND CANADIAN DELS FELT THESE APPROACHES WOULD GO MUCH TOO FAR TOO FAST AND CALLED FOR CONSIDERABLY MORE "PHILOSOPHICAL AND INTELLECTUAL REFLECTION" BEFORE ADDRESSING SUBJECT IN SUCH CONCRETE TERMS. IN THESE CIRCUMSTANCES, MORE FORTHCOMING DELS AND SECRETARIAT ARE FACED WITH DIFFICULT TASK OF PLOTTING COURSE OF EXERCISE IN CONSTRUCTIVE WAY WITHOUT PROVOKING OPPOSITION OF MORE RETICENT DELS. SECRETARIAT'S CURRENT THINKING IS SPELLED OUT IN TFD/TD/740, PARTICULARLY PARAS 21-25, AND DRAWS FROM USEFUL EXPERIENCE IN PREPARING TC STUDY OF TWO YEARS AGO PUBLISHED AS "TRADE MEASURES AND ADJUSTMENT OF THE BALANCE OF PAYMENTS".

(A) TCWP, HAVING ALREADY HAD TWO GENERAL DISCUSSIONS OF THE IMPACT OF INTERNAL POLICIES ON TRADE, SHOULD PROCEED NOW TO MORE REFINED APPROACH WITH CONCENTRATION ON INTERNAL POLICY TOOLS (OR MEASURES) WHICH "DIRECTLY OR INDIRECTLY AFFECT INDUSTRIAL PRODUCTION", NOT REPEAT NOT "INDUSTRIAL POLICY". AS FIRST STEP, SECRETARIAT WOULD PREPARE PAPER IDENTIFYING POLICY TOOLS CURRENTLY IN USE BY MEMBER GOVERNMENTS TO INFLUENCE INDUSTRIAL PRODUCTION, DRAWING AS NECESSARY FROM EXPERTISE OF INDUSTRY AND OTHER DIRECTORATES. POLICY TOOLS WOULD BE DEFINED VERY BROADLY AND WOULD INCLUDE RANGE OF FISCAL POLICIES, SUBSIDIES, DEPRECIATION AND AMORTIZATION PRACTICES, AIDS TO RESEARCH AND DEVELOPMENT, ETC. PAPER WOULD ALSO INCLUDE RELATIVELY THEORETICAL ANALYSIS OF POLICY TOOLS IN TERMS OF THEIR OBJECTIVES AND EFFECTIVENESS AS WELL AS THEIR POTENTIAL FOR DISTORTING COMPETITION AND TRADE.

(B) FIRST DRAFT OF PAPER WOULD PROBABLY TAKE A MONTH OR SO TO PREPARE BEFORE BEING SUBMITTED TO TCWP FOR REFINEMENT AND AMPLIFICATION. SECRETARIAT FORESEES SEQUENTIAL WORK PROGRAM, SELECTING SPECIFIC POLICY TOOL(S) FOR CLOSE SCRUTINY, FIRST BY SECRETARIAT, THEN SUPPLEMENTED BY INPUTS FROM TCWP AT BI- OR TRI-LIMITED OFFICIAL USE

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MONTHLY MEETINGS.

(C) SECRETARIAT THINKS IT WOULD TAKE ABOUT A YEAR TO BUILD UP REASONABLY COMPREHENSIVE BODY OF ANALYSIS/ KNOWLEDGE FROM WHICH TC COULD DRAW CONCLUSIONS FOR INTERNATIONAL COOPERATION. SECRETARIAT THINKS LOGICAL CONCLUSION OF STUDY WILL BE ELABORATION OF GUIDING PRINCIPLES ALONG LINES EARLIER SUGGESTED BY US REP TO TC COUPLED WITH STRENGTHENED CONSULTATION PROCEDURES. IN FACT,

SECRETARIAT WOULD PREFER TO BEGIN ELABORATION OF PRINCIPLES IN PARALLEL WITH ANALYTICAL STUDY BUT FEELS CONSTRAINED NOT TO DO SO AT THIS STAGE IN VIEW OF STRONG OPPOSITION FROM OTHER KEY DELS.

3. SECRETARIAT MINDFUL OF POTENTIAL OVERLAP OF FOREGOING SCENARIO WITH XCSS INVESTMENT EXERCISE (USOECN 25560) AND WOULD KEEP IN CLOSE TOUCH WITH ABRAMOWSKI, BERTRAND AND OTHERS TO AVOID DUPLICATION.

4. MISSION BELIEVES APPROACH OUTLINED PARA 2, ABOVE, OFFERS BEST PROSPECT FOR PROGRESS AT THIS STAGE AND PLANS TO SUPPORT THAT APPROACH AT OCT 8-9 MEETING OF TCWP.BROWN

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